

NAME OF STATE BOARD

NC BOARD OF PHYSICAL THERAPY EXAMINERS

8300 Health Park, Suite 233

Raleigh, NC 27615-4731

OSBM Annual Reports for Year End 06/30/2020

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Kathy O'Dwyer Arney, PT, MA Executive Director

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**Report submitted by: Cynthia D. Kiely, Director of Administration
cindy@ncptboard.org**

NORTH CAROLINA BOARD OF PHYSICAL THERAPY EXAMINERS – effective 06-09-20

BOARD MEMBERS	
Teresa F. Hale, PT, Chair Term Expires: 2020	112 Scarlet Bell Drive Youngsville, NC 27596 C: 919-880-1596 Email: thale@alliedrehab.net
Crystal D. Ostlind, PTA, Secretary/Treasurer Term expires: 2021	29 Cattle Run Lane Carolina Shores NC 28467 C- 910/988-5242, W: 910/458-8884 E-mail: cmorrispta@nc.rr.com
C. David Edwards, PT Term expires: 2020	508 Westminster Circle Greenville, NC 27858 C: 252-902-7061 E-mail: davidedwards@kineticptgreenville.com
Dr. Paul Garcia, Physician Member Term expires: 2022	140 Sabre Point Drive Bath, NC 27808 W: 866-998-2597, C: 252-714-2772 New work location: Trillium Health Resources – LME/MCO; Medical Director, Utilization Management Email: paulgarciamd@hotmail.com
Leslie P. Kesler, PT Term expires: 2021	3101 Durbin Court Wilmington, NC 28409 H: 910/799-0087 W: 910/667-5619 C: 910/465-2130 Fax: 910-342-3232 E-mail: Leslie.Kesler@nhrmc.org
Rosa Maria Gonzalez, BSN, RN, Public Member Term expires: 2022	371 Winecoff Street Troutman, North Carolina 28166 P: 704-493-2525 E-mail: rosa.gonzalez@atriumhealth.org
Jamie L. Miner, PT Term expires: 2022	8001 Netherlands Drive Raleigh, NC 27606 C: 678/521-1620 E-mail: minerjlc@gmail.com
Pearl L. Rhone, PTA Term expires: 2020	2240 Pridgeonfarm Road Fayetteville, NC 28306 C: 910-366-2826 E-mail: prhone@capefearvalley.com
OFFICE PERSONNEL	
Kathy O. Arney, PT, Executive Director Email: karney@ncptboard.org Personal Cell: (919) 698-2185	8300 Health Park, Suite 233 Raleigh, NC 27615 B: 919-490-6393 Fax: 919-490-5106
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ATTORNEY	
David Gadd, Attorney Fax: 919-790-1560 B: 919-790-9102 B Direct: 919-376-2983	John M. Silverstein, Attorney Satisky & Silverstein, LLP 415 Hillsborough St., Suite 201 Raleigh, NC 27603 E-mail: jms@satiskysilverstein.com

North Carolina Board of Physical Therapy Examiners
Fiscal Year 2020
July 1, 2019 - June 30, 2020

93B 2 (a)	Information requested	NCBPTE Response
(1)	The address of the board, and the names of its members and officers.	See attached
(1a)	The total number of licensees supervised by the board	13,344 This number reflects the total number of both PT and PTA licensees with an "active" license as of 06-30-20
(2)	The number of persons who applied to the board for examination	635
(3)	The number who were refused examination	0
(4)	The number who took the examination.	561
(5)	The number to whom initial licenses were issued.	590
(5a)	The number who failed the examination.	72
(6)	The number who applied for license by reciprocity or comity.	543
(7)	The number who were granted licenses by reciprocity or comity.	488
(7a)	The number of official complaints received involving licensed and unlicensed activities	30
(7b)	The number of disciplinary actions taken against licensees, or other actions taken against non-licensees, including injunctive relief.	Disciplinary Actions: 4 Other actions: 6
(8)	The number of licenses suspended or revoked.	1
(9)	The number of licenses terminated for any reason other than failure to pay the required renewal fee.	0

(9a)	The number of applicants for a license and, of that number, the number granted a license.	Applicants for a license: 1,306 Number granted a license: 1,109
(9b)	The number of applicants with a conviction record and, of that number, the number granted a license, denied a license for any reason, and denied a license because of a conviction.	Applicants with conviction record: 22 Number granted a license: 17 Number denied a license for any reason: 0 Number denied a license because of conviction: 0
(10)	The substance of any anticipated request by the occupational licensing board to the General Assembly to amend statutes related to the occupational licensing board.	At the time of this report, the North Carolina Board of Physical Therapy Examiners (NCBPTE) does not have any anticipated request to amend statutes
(11)	The substance of any anticipated change in rules adopted by the occupational licensing board or the substance of any anticipated adoption of new rules by the occupational licensing board.	Adopting temporary rules as permanent rules: <ul style="list-style-type: none"> • Clarification of yearly NC PT/PTA renewal timelines. • Consideration of increased regulatory flexibility to expedite the exam eligibility process and licensure of physical therapist and physical therapist assistant applicants.
93B-2(e)		
(1)	The number of applicants for a license and, of that number, the number granted a license.	Applicants for a license: 1,306 Number granted a license: 1,109
(2)	The number of applicants with a conviction record and, of that number, the number granted a license, denied a license for any reason, and denied a license because of a conviction	Applicants with conviction record: 22 Number granted a license: 17 Number denied a license for any reason: 0 Number denied a license because of conviction: 0

**NORTH CAROLINA BOARD OF
PHYSICAL THERAPY EXAMINERS**

FINANCIAL STATEMENTS

JUNE 30, 2020

NORTH CAROLINA BOARD OF PHYSICAL THERAPY EXAMINERS

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JUNE 30, 2020

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Independent Auditors' Report

Members of the Board
North Carolina Board of Physical Therapy Examiners
Durham, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the North Carolina Board of Physical Therapy Examiners as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the North Carolina Board of Physical Therapy Examiners as of June 30, 2020, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A, the financial statements present only the North Carolina Board of Physical Therapy Examiners and do not purport to, and do not present fairly the financial position of the State of North Carolina, as of June 30, 2020, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management's Discussion and Analysis

Accounting principles generally accepted in the United States of America require that *management's discussion and analysis* on pages 3-5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2020 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

Darrett, Dodd & Associates, Ltd

Durham, North Carolina
October 27, 2020

NORTH CAROLINA BOARD OF PHYSICAL THERAPY EXAMINERS

Management's Discussion and Analysis

Introduction

The following discussion and analysis provides an overview to assist the reader in interpreting and understanding the accompanying basic financial statement. This overview includes a comparative financial analysis with discussion of significant changes from the prior year, as well as a discussion of currently known facts, decisions, and conditions. This information is provided by the North Carolina Board of Physical Therapy Examiners (NCBPTE).

Overview of the Basic Financial Statements

The Statement of Net Position provides information relative to the Board's assets, liabilities, and the resulting net position as of the last day of the fiscal year (June 30, 2020). Assets and liabilities on this statement are categorized as either current or noncurrent. Current assets are those that are available to pay for expenses in the next fiscal year. Current liabilities are those payables in the next fiscal year. Net position on this statement is categorized as either invested in capital assets or unrestricted. Overall, the Statement of Net Position provides information relative to the financial strength of the Board and its ability to meet current and long-term obligations.

The Statement of Revenues, Expenses, and Changes in Net Position provides information relative to the results of the Board's operations, non-operating activities, and other activities affecting net position that occurred during the fiscal year. Operating activities include the licensure, licensure renewal and examination activities for the practice of physical therapy in the State. The Board does require disciplined licensees to reimburse the Board the "costs of investigation". Non-operating activity includes interest income. Overall, the Statement of Revenues, Expenses, and Changes in Net Position provides information relative to the Board's management of its operations and its ability to maintain its financial strength.

The Statement of Cash Flows provides information relative to the Board's sources and uses of cash funds for operating activities. The statement provides a reconciliation of beginning cash balances to ending cash balances and is representative of activity reported on the Statement of Revenues, Expenses, and Changes in Net Position.

The Statements described above are the basic financial statements required by the Governmental Accounting Standards Board (GASB) accounting principles. In accordance with GASB, the financial statements are presented on the Board as a whole and use reporting concepts in a manner similar to that required of a business enterprise. The financial statement balances reported are presented in a classified format to aid the reader in understanding the nature of the financial statement balances.

In using the basic financial statements, the Notes to the Financial Statements should be read in conjunction with the basic financial statements. The Notes to the Financial Statements provide information relative to the significant accounting principles applied in the basic financial statements, authority for and associated risk of deposits, detailed information on capital assets and noncurrent liabilities, revenues and expenses, required information on pension plans, insurance against losses, commitments and contingencies, accounting changes, and if necessary a discussion of adjustments to prior periods and events subsequent to the Board's financial statement period. Overall, the Notes to the Financial Statements provide information to better understand details, risks, and uncertainties associated with amounts reported in the basic financial statements.

NORTH CAROLINA BOARD OF PHYSICAL THERAPY EXAMINERS
Management's Discussion and Analysis

Brief Agency Highlights

- At the end of the fiscal year ending June 30, 2020, the Board had an operating income of \$459,207, a decrease from 2019 of \$55,825..
- During the fiscal year ended June 30, 2020, the Board incurred legal expenses associated with an Employment Security Commission claim related to a former employee. Legal expenses totaled \$2,744.50. The claim was effectively and successfully defended without the Board incurring any additional expense and the former employee was required to return any monies paid to her related to the claim.
- Operating Expenses increased by \$202,888 from June 30, 2019 to June 30, 2020. To continue modernization efforts in fiscal year 2020, the Board expenses increased due primarily to hiring additional staff to complete the mission of the Board with an increasing licensee population. In addition, due to prevention measures for the spread of the COVID-19 virus, Board staff were transitioned to remote work requiring purchase of computer and telecommunication technologies to continue regulatory functions and remote Board meetings. Use of electronic technologies reduced expenses for office supplies and meeting related expenses.
- Long-term assets, other than capital assets, consist mainly of Certificates of Deposits maturing more than one year after June 30, 2020.
- Total assets increased from \$ 2,372,348 on June 30, 2019 to \$2,842,897 in the year ending June 30, 2020. The number of licensure applicants continued to increase as did license renewals. This increase will allow the Board to fund reserves used during unanticipated litigation expenses experienced between 2015 and 2019. They will also be used to fund information technology infrastructure to modernize Board processes and maintain staffing for public protection efforts of an increasing licensee population.
- Current liabilities increased in 2020 slightly from 2019 by due addition of employees eligible for vacation benefit accrual. Long-term liabilities decreased due to a majority of current NCBPTE staff having 6 years or less longevity with the Board.
- Net position consists of amounts invested in capital assets of \$68,419 and \$104,072 for June 30, 2019 and June 30, 2020 respectively, and unrestricted amounts of \$2,215,211 and \$2,648,953 respectively. The increase in net position from June 30, 2019 to June 30, 2020 reflects an increase in earnings from 2019 to 2020 of invested assets.
- Operating revenues increased by \$147,663 from June 30, 2019 to June 30, 2020 primarily due to the numbers of licensees paying renewal and application fees and recoupment of FBI Criminal Background Checks and payment processing costs.
- Financial statements for June 30, 2019 have been restated for comparability purposes with June 30, 2020 statements which reflected an error correction involving deferred inflows of exam application fees.

Comparative Financial Highlights

Year End	June 30, 2020	June 30, 2019
Current Assets	\$ 2,615,930	\$ 2,209,758
Capital Assets-Net	104,072	68,419
Other Long-term Assets	122,895	94,171
Total Assets	2,842,897	2,372,348
Current Liabilities	53,227	51,877
Long-term Liabilities	36,645	36,481
Total Liabilities	89,872	88,718
Net Position – Unrestricted	2,648,953	2,215, 211
Operating Revenue	1,883,752	1,736,689
Operating Expenses	1,424,545	1,221,657
Operating Income (Loss)	459,207	515,032
Change in Net Position	469,395	521,164

If you have any questions about this report or need additional information, contact:

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NORTH CAROLINA BOARD OF PHYSICAL THERAPY EXAMINERS
STATEMENT OF NET POSITION
ENTERPRISE FUND
JUNE 30, 2020

ASSETS

Current Assets:

Cash and cash equivalents (Note B)	\$ 2,068,527
Certificates of deposit (at cost) (Note B)	541,462
Prepaid expenses	<u>5,941</u>
Total Current Assets	2,615,930

Noncurrent Assets:

Investment in certificates of deposit long-term (at cost) (Note B)	120,476
Capital assets (Note C)	
Furniture	58,429
Equipment	6,208
Computer equipment	<u>196,878</u>
	261,515
Less accumulated depreciation	<u>157,443</u>
	104,072
Other assets	<u>2,419</u>
Total Noncurrent Assets	<u>226,967</u>
Total Assets	<u>2,842,897</u>

LIABILITIES

Current Liabilities:

Accounts payable	1,379
Accrued vacation (Note D)	<u>51,848</u>
Total Current Liabilities	53,227

Long-Term Liabilities:

Accrued vacation (Note D)	<u>36,645</u>
Total Liabilities	<u>89,872</u>

NET POSITION

Invested in capital assets	104,072
Unrestricted (Note G)	<u>2,648,953</u>
Total Net Position	<u>\$2,753,025</u>

See Independent Auditors' Report and Notes to Financial Statements

NORTH CAROLINA BOARD OF PHYSICAL THERAPY EXAMINERS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2020

OPERATING REVENUES

Charges for services:	
Renewal fees	\$ 1,530,960
License, revival, transfer and other fees	227,935
Credit card processing fees	65,103
Background check fees collected	47,196
Disciplinary reimbursements	5,538
Other revenues	<u>7,020</u>
 Total operating revenues	 1,883,752

OPERATING EXPENSES

Staff salaries	624,712
Payroll tax expense	46,921
Retirement contributions (Note E)	36,391
Board members and other travel	
per diem, subsistence and registration	23,677
Legal and investigation	110,693
Postage	12,610
Copying and printing	5,370
Office supplies and expense	8,024
Office relocation expense	1,452
Staff registration, travel, meals	4,187
Information technology costs	95,000
Professional fees	67,255
Group insurance	139,568
Insurance	22,314
Membership dues	4,665
Credit card transaction fees	68,842
Equipment rent (Note F)	8,057
Rent (Note F)	71,036
Background check expenses	37,408
Depreciation (Note C)	<u>36,363</u>
 Total operating expenses	 <u>1,424,545</u>
 Operating income	 \$ 459,207

See Independent Auditors' Report and Notes to Financial Statements

NORTH CAROLINA BOARD OF PHYSICAL THERAPY EXAMINERS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2020

NONOPERATING REVENUES (EXPENSES):

Interest income	\$ 14,263
Loss on disposal of capital assets	<u>(4,075)</u>
	<u>10,188</u>
 Change in net position	 469,395
 Net position June 30, 2019, as restated (Note I)	 <u>2,283,630</u>
 Net position June 30, 2020	 <u><u>\$ 2,753,025</u></u>

See Independent Auditors' Report and Notes to Financial Statements

NORTH CAROLINA BOARD OF PHYSICAL THERAPY EXAMINERS
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2020

Cash flows from operating activities:	
Cash received from licensees and applicants	\$ 1,871,194
Cash received from others	12,558
Cash paid to employees and professionals	(800,877)
Cash paid to suppliers	<u>(584,132)</u>
Net cash flows provided by operating activities	<u>498,743</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	(76,091)
Cash flows from investing activities	
Receipt of interest income	14,263
Increase in certificates of deposit	<u>(215,173)</u>
	<u>(200,910)</u>
Net change in cash and cash equivalents	297,833
Cash and cash equivalents - June 30, 2019	<u>1,846,785</u>
Cash and cash equivalents - June 30, 2020	<u>\$ 2,068,527</u>
Reconciliation of operating income to net cash flows provided by operating activities	
Operating income	\$ 459,207
Adjustments to reconcile operating income to net cash provided	
by operating activities:	
Depreciation and amortization	38,512
Changes in assets and liabilities:	
(Increase) in prepaid expenses	(130)
(Decrease) in account payable - trade	(629)
Increase in accrued vacation	<u>1,783</u>
Net cash provided by operating activities	<u>\$ 498,743</u>

See Independent Auditors' Report and Notes to Financial Statements

NORTH CAROLINA BOARD OF PHYSICAL
THERAPY EXAMINERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Board was established by the North Carolina General Assembly as an occupational licensing board to maintain standards for the practice of physical therapy in North Carolina.

Financial Reporting Entity

The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. The accompanying financial statements present all funds and activities for which the Board is responsible

For financial reporting purposes, the Board is a nonmajor enterprise fund of the primary government of the State of North Carolina and is reported as such in the State's Comprehensive Annual Financial Report (CAFR). These financial statements for the Board are separate and apart from those of the State of North Carolina and do not present the financial position of the State nor changes in the State's financial position and cash flows.

Basis of Presentation

The statement of net position reflects all assets including long-term assets, and all obligations including long-term obligations.

The statement of revenues, expenses and changes in net position presents a comparison between direct expenses and program revenues of the Board. Primary revenues include fees and other charges paid by the recipients of services.

NORTH CAROLINA BOARD OF PHYSICAL
THERAPY EXAMINERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, the Board's accounts are maintained during the year using the modified accrual basis of accounting. However, at year-end, financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when cash flows take place.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash Equivalents

The Board considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Capital Assets

Capital assets are defined by the Board as assets with an initial individual cost of \$500 or more and an estimated useful life of more than two years. Purchased assets are reported at cost. The cost of normal maintenance and repairs that do not add to the value of an asset or materially extend asset lives are expensed.

NORTH CAROLINA BOARD OF PHYSICAL
THERAPY EXAMINERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE A (CONTINUED)

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Furniture and equipment	5-10 years
Computer equipment	3 years

Accrued Vacation

The vacation leave policy of the Board provides for accumulation of earned vacation leave with such leave being fully vested when earned. Because vacation leave is payable to employees at termination, a liability for the outstanding balances has been recorded. That portion of accrued vacation that is estimated to be used in the next fiscal year has been designated as a current liability in the financial statements (first-in, first-out method of using accumulated time).

Net Position

Net positions in the financial statements are classified as invested in capital assets and unrestricted.

NOTE B DEPOSITS AND INVESTMENTS

The Board maintains cash balances, money market accounts and certificates of deposit at various financial institutions. Certificates of deposit have a book and market value of \$661,938 at June 30, 2020. Certificates of deposit have varying interest rates and staggered maturities over the next 18 months,

NORTH CAROLINA BOARD OF PHYSICAL
THERAPY EXAMINERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE B (CONTINUED)

with those maturing more than one year after June 30, 2020 reflected as long-term investments.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the Board's deposits may not be returned to it. The Board does not have a formal deposit policy for custodial credit risk. As of June 30, 2020, the Board's deposits of \$2,730,465 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized - \$90,978

NOTE C CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2020 were as follows:

	ASSET			
	June 30, <u>2019</u>	<u>Additions</u>	<u>Retirements</u>	June 30, <u>2020</u>
Furniture	\$ 53,944	\$ 4,485		\$ 58,429
Equipment	6,208			6,208
Computer Equipment	<u>144,102</u>	<u>71,606</u>	<u>\$ 18,830</u>	<u>196,878</u>
	<u>\$204,254</u>	<u>\$ 76,091</u>	<u>\$ 18,830</u>	<u>\$261,515</u>

NORTH CAROLINA BOARD OF PHYSICAL
THERAPY EXAMINERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE C (CONTINUED)

DEPRECIATION

	<u>June 30,</u> <u>2019</u>	<u>Current</u> <u>Expense</u>	<u>Retirements</u>	<u>June 30,</u> <u>2020</u>
Furniture	\$ 21,907	\$ 6,683		\$ 28,590
Equipment	3,686	917		4,603
Computer Equipment	<u>110,242</u>	<u>28,763</u>	<u>\$14,755</u>	<u>124,250</u>
	<u>\$ 135,835</u>	<u>\$36,363</u>	<u>\$ 14,755</u>	<u>\$157,443</u>

NOTE D ACCRUED VACATION

The changes in accrued vacation are as follows:

	<u>June 30,</u> <u>2019</u>	<u>Additions</u>	<u>Used</u>	<u>June 30,</u> <u>2020</u>
Amount	\$86,710	\$57,759	\$55,976	\$88,493

The amount representing the current portion of vacation leave is \$51,848.

NOTE E RETIREMENT PLAN

The North Carolina Licensing Boards Retirement Plan is a multiple-employer, cost-sharing defined contribution plan. Participating employees must contribute 6% of their gross pay and the board matches those contributions 100%. Employee's contributions are 100% vested; the Board's matching contributions are 100% vested after 5 years of credited service. The Board contributed a 6% matching share (\$36,391) on behalf of its employees.

NORTH CAROLINA BOARD OF PHYSICAL
THERAPY EXAMINERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE F LEASE OBLIGATIONS

The Board leases office space and office equipment through operating leases under which future minimum rentals are as follows:

<u>Year ended June 30:</u>	<u>Amount</u>
2021	\$ 78,969
2022	82,670
2023	87,572
2024	90,052
Thereafter	<u>397,395</u>
	<u>\$736,658</u>

NOTE G NET POSITION

The Board has assigned portions of its unrestricted net position for the following purposes:

Designated

Reserve for prepaid expenses	\$ 5,941
Information technology reserve	200,000
Replacement of property & equipment	100,000
Continuing education	50,000
Possible future building acquisition	735,000
Unanticipated litigation costs	<u>800,000</u>
	<u>1,890,941</u>

Undesignated

<u>758,012</u>
<u>\$2,648,953</u>

NORTH CAROLINA BOARD OF PHYSICAL
THERAPY EXAMINERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE H SUBSEQUENT EVENTS

The Board has evaluated subsequent events through October 27, 2020, the date which the financial statements were available to be issued.

NOTE I CORRECTION OF ERROR IN PRIOR YEAR'S FINANCIAL STATEMENTS

A review of the examination application process indicates all services required of the Board are immediately completed upon receipt of the application and payment. Hence, no deferral of application payments is warranted. Therefore, prior year net position has been restated as follows:

Net position as previously reported on	
June 30, 2019 – unrestricted	\$2,239,980
Restatement	<u>43,650</u>
As restated on June 30, 2019	<u>\$2,283,630</u>

NOTE J NORTH CAROLINA LEGISLATIVE STATUTORY REQUIREMENT CONCERNING AUDIT FEES

This audit required 52 hours at a cost of \$10,400.



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To The Board of Directors
North Carolina Board of Physical Therapy Examiners
Durham, North Carolina

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the North Carolina Board of Physical Therapy Examiners (Board) as of and for the year ended June 30, 2020 and the related notes to the financial statements and have issued our report thereon dated October 27, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material* weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

GARRETT, DODD & ASSOCIATES, LTD.

Garrett, Dodd & Associates, Ltd.

Durham, North Carolina
October 27, 2020



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October 27, 2020

Board of Directors
North Carolina Board of Physical Therapy Examiners

We have audited the financial statements of the North Carolina Board of Physical Therapy Examiners for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. Professional standards require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the North Carolina Board of Physical Therapy Examiners are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2020. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Board's financial statements were:

Management's estimate of the depreciable lives of capital assets (i.e. equipment and computers). We evaluated the key factors and assumptions used to develop the useful lives and determined that they were reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 27, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of the North Carolina Board of Physical Therapy Examiners and is not intended to be and should not be used by anyone other than these specified parties.

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Board of Directors

North Carolina Board of Physical Therapy Examiners

In planning and performing our audit of the financial statements of the North Carolina Board of Physical Therapy Examiners as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the North Carolina Board of Physical Therapy Examiners' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the North Carolina Board of Physical Therapy Examiners' internal control. Accordingly, we do not express an opinion on the effectiveness of the North Carolina Board of Physical Therapy Examiners' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, and the Board of Directors of the North Carolina Board of Physical Therapy Examiners, and is not intended to be and should not be used by anyone other than these specified parties.

Garrett, Dodd & Associates, Ltd.

Garrett, Dodd & Associates, Ltd.

Durham, North Carolina

October 27, 2020